

**OFFICE OF THE DIRECTOR OF FINANCE
FISCAL YEAR 2027 BUDGET TESTIMONY
MARCH 25, 2026**

INTRODUCTION

Good Morning, Council President Johnson and Members of City Council. I am Rob Dubow, Finance Director. Joining me today are Cat Lamb, First Deputy Finance Director, and Elizabeth Hanley, Deputy Finance Director for Administration, Development, and Training. I am pleased to provide testimony on the Office of the Director of Finance’s Fiscal Year 2027 Operating Budget.

DEPARTMENT MISSION & PLANS

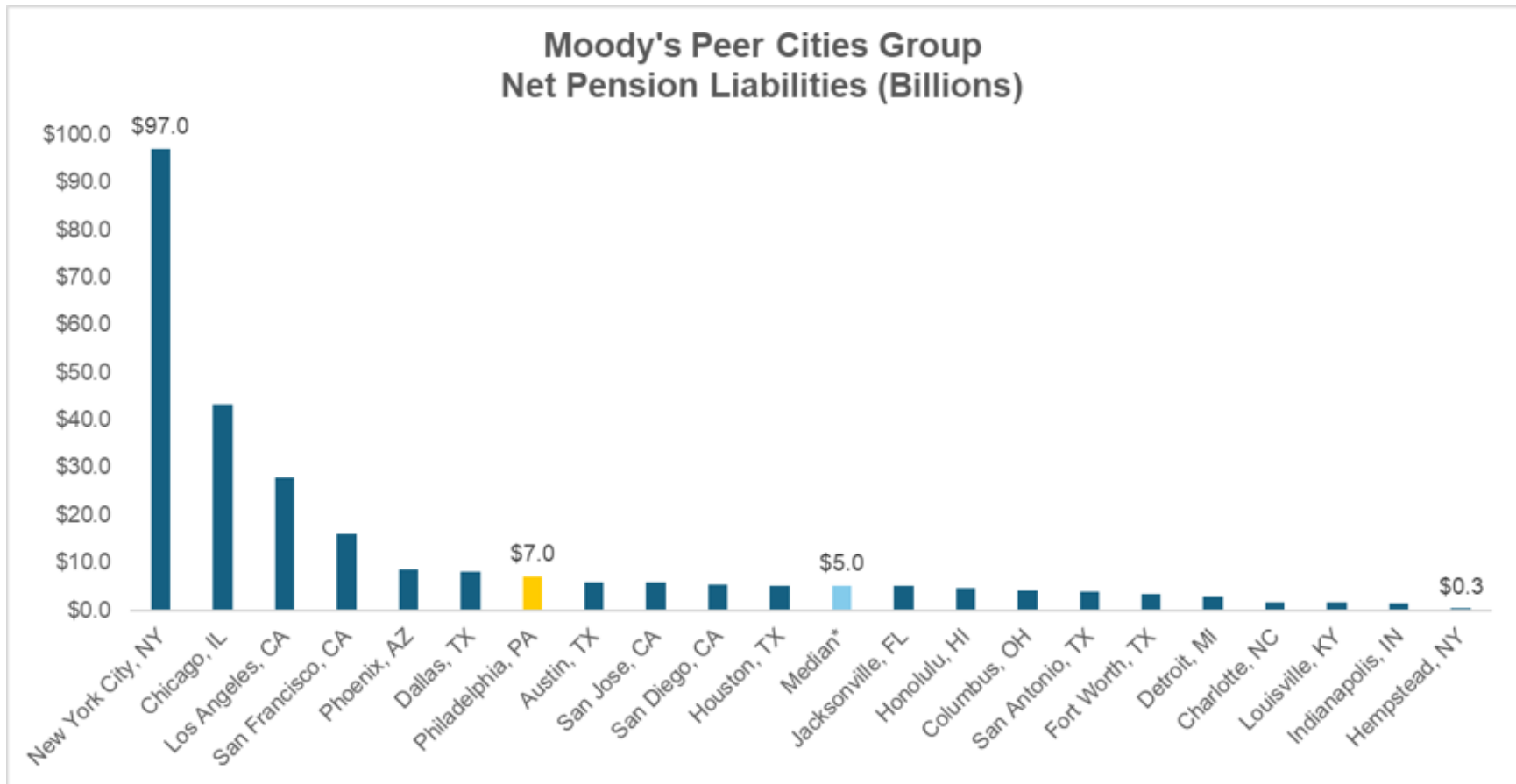
Mission: Finance strives to ensure that the City maintains long-term fiscal stability while meeting the Mayor’s policy goals to make Philadelphia the safest, cleanest, and greenest big city in the nation with access to economic opportunity for all. It does so by overseeing the City’s financial, accounting, and budgetary functions, including establishing fiscal policy guidelines, overseeing the City’s budget and financial management programs, adding financial capacity throughout the government, and recording and accounting for all City financial activities. Finance administers the City’s payroll activities and risk management functions, issues financial reports, and oversees expenditures and reports on all grants.

Plans for Fiscal Year 2027: The various divisions of Finance will undertake the following in FY27:

- Through the Budget Office, ensure the City’s long-term financial health by developing a balanced Five Year Plan, continuing tax reforms, and implementing revenue changes to advance Mayor Parker’s vision of a safer, cleaner, greener Philadelphia with access to economic opportunity for all.
- Work with colleagues in the City Treasurer’s Office and within Finance to maintain at least the City’s “A” category ratings for its General Obligation (GO) debt from all three major rating agencies.
 - The City’s credit rating has received two upgrades since Mayor Parker took office. In June 2024, Fitch Ratings upgraded the City’s credit rating from A to A+ with a long-term Stable outlook. In November 2024, S&P Global Ratings upgraded the City’s credit rating from A to A+, citing the City’s commitments to pension funding and building financial reserves. The City has been rated in the “A” category by all three rating agencies since 2013, and these upgrades mean that the City has its highest combination of ratings in decades.
 - Most recently, in November 2025, Moody’s Ratings changed the City’s outlook from “stable” to “positive,” signaling an upgrade of the City’s rating may be possible based on current and projected financial conditions.

OFFICE OF THE DIRECTOR OF FINANCE

- Credit ratings are a key factor in determining the interest rate that the City pays on its borrowing costs for infrastructure investments, and higher credit ratings can lower borrowing costs, saving the City money and allowing more resources to be directed toward essential projects and services.
- Continue to produce financial reporting that meets the highest standards of the Governmental Accounting Standards Board (GASB) and ensure the City secures its 46th consecutive Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association (GFOA).
- In partnership with the Office of the Chief Administrative Officer (CAO) and Office of Innovation and Technology (OIT), keep Project Optimizing Procurement and Accounting Logistics (OPAL) on track to replace the City's existing accounting, contracting, and procurement systems, making core processes more efficient to administer and easier for end users while ensuring appropriate fiscal controls and risk mitigation strategies are in place.
- Through the Office of Risk Management, continue to protect the City of Philadelphia and its employees, residents, and visitors by implementing new risk-reduction initiatives. The Office will also continue efforts to recover costs from insured losses, property damage, and worker injuries caused by others, while reducing the City's exposure to liability claims and lawsuits arising from the activities and operations of independent contractors and vendors. Additionally, beginning in FY27, Risk will manage and oversee a newly established Vacatur Fund, which will provide early financial support and social services to individuals with vacated convictions while reducing the City's litigation risk.
- Through Central Payroll, ensure the accurate and timely processing of weekly and special payrolls for nearly 31,000 active City employees.
- Through the OnePhilly office, continue to optimize the City's enterprise system that manages human resources, payroll, pensions, and fringe benefits, and implement process improvements to improve service delivery for City employees.



According to Moody’s Ratings data, Philadelphia’s pension liabilities compare favorably to many peer cities, reflecting meaningful progress in pension funding. However, continued efforts remain critical to strengthen long-term fiscal stability. Please note Moody’s methodology uses a uniform, lower discount rate to enhance comparability across jurisdictions.

PROPOSED BUDGET OVERVIEW & OTHER BUDGET DRIVERS

General Fund Financial Summary by Class						
	FY25 Original Appropriations	FY25 Actual Obligations	FY26 Original Appropriations	FY26 Estimated Obligations	FY27 Proposed Appropriations	Difference: FY27 Proposed-FY26 Estimated
Class 100 - Employee Compensation	\$11,712,986	\$12,150,436	\$19,148,552	\$19,510,270	\$17,315,813	(\$2,194,457)
Class 200 - Purchase of Services	\$6,119,271	\$2,246,542	\$6,719,101	\$6,719,101	\$5,770,620	(\$948,481)
Class 300/400 - Materials, Supplies & Equipment	\$47,024	\$45,754	\$47,024	\$47,024	\$567,024	\$520,000
	\$17,879,281	\$14,442,732	\$25,914,677	\$26,276,395	\$23,653,457	(\$2,622,938)

Contracts Summary (Professional Services only)						
	FY23	FY24	FY25	FY26	FY26 YTD (Q1 & Q2)	FY27 Projected
Total amount of contracts	\$24,464,832	\$28,145,775	\$26,435,719	\$28,000,000	\$13,326,558	\$28,000,000
Total amount to S/LBE	N/A	N/A	N/A	N/A	N/A	\$8,400,000
Total amount to M/W/DSBE	\$6,830,003	\$9,132,453	\$8,229,418	\$8,400,000	\$2,668,536	
S/LBE Participation Rate	N/A	N/A	N/A	N/A	N/A	30%
M/W/DSBE Participation Rate	28%	32%	31%	30%	20%	

**S/LBE data for FY23-FY26 not available.*

Total S/LBE Contract Participation Goal (Public Works; Services, Supplies & Equipment; and Professional Services combined)			
	FY25	FY26	FY27 Projected
S/LBE Contract Participation Goal	25%	30%	30%

OFFICE OF THE DIRECTOR OF FINANCE

Proposed Funding Request: The proposed Fiscal Year 2027 General Fund budget totals \$23,653,457, a decrease of \$2,622,938 from Fiscal Year 2026 estimated obligation levels. This decrease is primarily due to one-time costs in FY26 associated with citywide special events in 2026 and lower insurance costs due to a slightly softened insurance market.

The proposed budget includes:

- \$17,315,813 in Class 100, a \$2,194,457 decrease from estimated obligation levels in FY26. This decrease is driven by a \$2,750,000 reduction in overtime across departments related to citywide special events, partially offset by scheduled wage increases and bonuses, as well as the addition of new staff positions to support ongoing operations.
- \$5,770,620 in Class 200, a \$948,481 decrease from estimated obligation levels in FY26. This decrease is the outcome of reduced insurance costs due to a slightly softened insurance market.
- \$567,024 in Class 300/400, a \$520,000 increase over the estimated obligation levels in FY26. This increase is the outcome of updating automated external defibrillators (AEDs) across city sites as a one-time cost during FY27.

STAFFING LEVELS

The Department is requesting 147 budgeted General Fund positions for FY27, representing an increase of five positions from the budgeted level in FY26, which was 142.

The increase reflects the addition of three Central Payroll positions and one Accounting position to supporting existing functions, as well as two positions to staff the new Vacatur Fund managed by Risk.

Employment Levels (as of November 2025)			
	FY26 Budgeted	Filled as of November 2025	FY27 Proposed
Number of Full-Time Positions	142	132	147
Number of Exempt Positions	63	53	68
Number of Executive Positions (deputy level and above)		15	
Average Salary of All Full-Time Positions		\$95,551	
Median Salary of All Full-Time Positions		\$92,578	

NEW HIRES

New Hires (from 7/1/2025 to November 2025)	
	Total Number of New Hires
Black or African American	3
White	3
Total	6

Detail for new hires since November 2025, if applicable: Five new hires since November 2025: three Black or African American, one Asian, and one White.

VACANCY RATE AND ALLOWANCE

Vacancy Rate Summary (General Fund)						
	FY25 Actual Vacancy Rate	FY26 Budgeted Vacancy Allowance	FY26 Vacancy Rate	FY26 Budgeted Vacancy Allowance Rate	FY27 Budgeted Vacancy Allowance	FY27 Budgeted Vacancy Allowance Rate
Departmental Total	10.6%	(\$785,897)	9.2%	6.0%	(\$750,009)	5.4%

OTHER BUDGETARY IMPACTS

Federal and State (Where Applicable)

In FY25, the City received over \$2 billion in federal grants, supporting a range of critical programs and services. Ongoing policy changes, however, create uncertainty around the timing and continuation of federal funding. Any reduction in federal support could have significant budgetary implications, requiring difficult choices about service levels and investment priorities. The City does not have the financial capacity to compensate for large-scale reductions in federal funding. Additionally, with all American Rescue Plan Act (ARPA) funds required to be obligated by the end of 2024, the City is now in its first full fiscal year (FY26) since the pandemic without this federal support that provided a crucial lifeline during and after the pandemic, allowing the City to avoid devastating cuts to services.

The City’s tax base is also vulnerable to federal actions. Education, medical institutions, and government employment accounted for more than \$1 billion in Wage Tax collections in FY25 – nearly 45% all Wage Tax revenue. Reductions in federal employment in Philadelphia, along with potential cuts to research funding, could lead to job losses in these key sectors, further impacting City revenues.

Community Development Block Grant Disaster Recovery (CDBG-DR)

In 2021, Philadelphia was significantly impacted by Hurricane Ida, resulting in widespread flooding and substantial property damage. To aid in the city’s recovery, Philadelphia was awarded approximately \$163 million in CDBG-DR funds from the U.S. Department of Housing and Urban Development (HUD). These funds help communities recover from presidentially declared disasters like Hurricane Ida.

HUD finalized its grant agreement with the City in late February 2024, officially authorizing the use of funds. Since then, the City has made progress in deploying CDBG-DR funds for recovery and resiliency initiatives, including infrastructure improvements, business assistance, and homeowner repairs and rehabilitation.

CONTRACTING EXPERIENCE

M/W/DSBE Participation on Large Professional Services Contracts											
Top Five Largest Contracts, FY26											
Vendor Name	Service Provided	Dollar Amount of Contract	RFP Issue Date	Contract Start Date	Ranges in RFP	% of M/W/DSBE and SBE Participation Achieved	\$ Value of M/W/DSBE and SBE Participation	Total % Participation - All DSBEs	Total \$ Value Participation - All DSBEs	Local Business	Waiver for Living Wage Compliance?
Various (8 vendors)	Legal Services related to City's Employee Disability/Worker's Compensation Program	\$6,000,000	11/1/2023	Various	MBE: BGFE	3%	\$180,000	16%	\$960,000	Yes	No
					WBE: BGFE	13%	\$780,000				
					DSBE: BGFE	0%	\$0				
					S/LBE: BGFE	0%	\$0				
Various (15 vendors)	Insurance Brokerage/ Counsel Services related to City's Employee Disability/Worker's Compensation Program	\$6,850,000	7/2023 and 8/2023	Various	MBE: BGFE	44%	\$3,014,000	45%	\$3,082,500	Yes	No
					WBE: BGFE	1%	\$68,500				
					DSBE: BGFE	0%	\$0				
					S/LBE: BGFE	0%	\$0				
PMA Management	Employee Disability Program	\$7,529,439	12/17/2021	7/1/2022	MBE: BGFE	12%	\$903,533	26%	\$1,957,654	No	No
					WBE: BGFE	14%	\$1,054,121				
					DSBE: BGFE	0%	\$0				
					S/LBE: BGFE	0%	\$0				
Tetra Tech	Consulting and Grants Management	\$3,000,000	12/21/2022	6/1/2023	MBE: BGFE	20%	\$600,000	20%	\$600,000	No	No
					WBE: BGFE	0%	\$0				
					DSBE: BGFE	0%	\$0				
					S/LBE: BGFE	0%	\$0				
Bio – Care	Medical Examination Program	\$1,632,437	5/5/2022	7/1/2022	MBE: BGFE	0%	\$0	0%	\$0	No	No
					WBE: BGFE	0%	\$0				
					DSBE: BGFE	0%	\$0				
					S/LBE: BGFE	0%	\$0				

Non-profit vendor demographics not applicable.

PROGRAM BASED BUDGETING:

Program Name: Executive Direction

Program Number: 01

FY27 Proposed General Fund: \$114,242,295

Program Description: The Executive Direction program provides oversight for the City’s fiscal policy, the various programs within the Office of the Director of Finance listed in this section, and for agencies that report to the Director of Finance, including the City Treasurer’s Office, Department of Revenue, Office of Property Assessment, and the Philadelphia Board of Pensions and Retirement. Units within Executive Direction include:

- **Administrative Services Center (ASC):** The ASC provides financial and/or administrative services for the Office of the Director of Finance, Procurement Department, City Treasurer’s Office, Office of Human Resources, Mayor’s Office, Office of Public Engagement and Neighborhood Affairs, and Civil Service Commission. The ASC also supports other departments on an as-needed basis, manages the City-wide travel booking service, and provides fiscal capacity for some grants administration.
- **Finance Program Management Office (FPMO):** FPMO supports process redesign and technology implementations with proven methodologies to enable the Office of the Director of Finance and agencies that report to the Office of the Director of Finance to deliver projects more efficiently. In addition, FPMO delivers training and other capacity-building initiatives to improve financial practices and procedures throughout the City.
- **Internal Controls and Compliance:** Internal Controls and Compliance is responsible for updating and ensuring compliance with the City’s internal control procedures and assisting departments when responding to audit requests.
- **OnePhilly:** OnePhilly manages the City’s human resources (HR), payroll, pensions, and fringe benefits systems, along with associated business process improvements that allow for more efficient operations and improve services for employees.
- **Payroll:** Central Payroll processes weekly payroll and special payrolls for nearly 31,000 active City employees and works collaboratively with department and central HR teams to pay employees accurately and on time.

FY27 Strategic Goals:

- The Proposed FY27 Budget and FY27-31 Five Year Plan (FYP) continue tax reforms included in the FY26-30 Plan and includes proposed revenue changes to fund transformative investments. These proposed revenue changes include an increase to the Hotel Tax starting in FY27 that will fund Mayor Parker’s strategy to end street homelessness through the addition of 1,000 shelter beds and the provision of wraparound services; a Retail Delivery Tax that will enable road improvements including the deployment of pothole squads for daily response to potholes; a change to the local Sales Tax that would require remittance by remote sellers to level the playing field for local

OFFICE OF THE DIRECTOR OF FINANCE

sellers and generate additional revenue for the City's General Fund and Pension Fund; and changes to the Transportation Network Company and Use and Occupancy Taxes.

- Finance will continue to expand training opportunities and resources for fiscal staff across the City through fiscal staff calls, including the "Finance Best Practices" series, and through the Office of the Director of Finance's training resources. As part of this, Finance will redesign the Finance intranet to make training resources and reference materials more accessible and will develop interactive trainings for the City's Learning Management System.
- The Department and its partners from CAO and OIT will keep Project OPAL moving forward through the Test and Deploy Phases, with the goal of a successful go-live in July 2027. The timeline provides the City with time to prepare thoughtfully, conduct comprehensive testing, and ensure users are fully trained and ready to operate effectively in the new system.
- In partnership with the City Treasurer's Office and Procurement Department, Finance will help to expand the Procurement Card (P-Card) Pilot program and evaluate the feasibility of expanding P-Cards to more departments.
- The Office will engage an independent external consultant to evaluate the Office of Property Assessment's (OPA) Tax Year 2027 revaluation results. The review will assess the accuracy, equity, and methodology of the revaluation process and determine alignment with applicable professional standards and best practices. This independent evaluation is intended to strengthen oversight, support continuous improvement, and promote public confidence in the City's property assessment system. Findings will help inform future assessment practices and operational enhancements.

FY27 Performance Measures:

Measure	FY25 Actual	FY26 Target	FY27 Target
Executive Direction: Maintain or improve credit ratings	A1, A, A	Maintain or improve credit ratings	Maintain or improve credit ratings
OnePhilly: Total open issues	54	≤ 150	≤ 150
OnePhilly: Percent of open issues that are defects	16%	≤ 20%	≤ 20%
Major projects for which Finance Program Management Office (FPMO) delivers on a solution that supports mission critical use by other departments in the Finance cluster ¹	4	3	3
Major projects for which FPMO delivers on a solution that support cross-functional Citywide department usage ²	4	3	3

¹ Projects in FY27 will include completing the first phase of a Pensions Documentation Project; a request for proposal for the Office of Property Assessment's customer relationship management project and selection of a vendor; and starting the Risk Management Information System implementation project.

² Projects in FY27 include completing the current phase of the rollout of hotel booking for employees on work trips; facilitation of Fiscal Staff and Finance Best Practices meetings; and ongoing operations to support ePAY.

PROGRAM BASED BUDGETING:

Program Name: Accounting

Program Number: 05

FY27 Proposed General Fund: \$3,997,108

Program Description: The Accounting Unit records and reports the City’s financial activity, maintains the City’s centralized financial accounting system, and establishes Citywide accounting standards to ensure the accurate, consistent, and compliant management of public funds. In coordination with Internal Controls and Compliance, Accounting develops and maintains the City’s Accounting Manual and related Standard Operating Procedures (SOPs), which define required accounting policies, processes, and internal control expectations across all departments. Accounting supports departments by processing vendor payments, overseeing compliance with accounting policies, and issuing official financial reports. Through these activities, Accounting promotes financial integrity, operational consistency, and strong internal controls to safeguard City resources.

FY27 Strategic Goals:

- Accounting will continue to produce an Annual Comprehensive Financial Report (ACFR) that adheres to the highest standards, securing the Certificate of Achievement for Excellence in Financial Reporting from GFOA.
- Accounting will continue supporting Project OPAL as an ongoing effort by contributing to the system’s design, implementation, and successful deployment.
- The program will participate in regular meetings with departmental staff to provide comprehensive training and updates on proper internal controls and current accounting procedures.

FY27 Performance Measures:

Measure	FY25 Actual	FY26 Target	FY27 Target
Percentage of new Government Accounting Standards Board (GASB) pronouncements implemented by required date	100%	100%	100%
Percentage of paid vendors enrolled in Automatic Clearing House payments ¹	68%	70%	70%

¹Accounting aims to modernize payment processes by increasing vendor enrollment in electronic automated clearing house (ACH) payments. Accounting will focus on identifying high volume vendors that have not signed up for ACH in an attempt to lower the total amount of checks written.

PROGRAM BASED BUDGETING:

Program Name: Budget Office

Program Number: 02

FY27 Proposed General Fund: \$2,610,208

Program Description: The Budget Office ensures the City's long-term fiscal health while allocating the resources necessary for City programs and services to operate efficiently and effectively and serve all Philadelphians equitably, while meeting the Mayor's policy goals to make Philadelphia the safest, cleanest, and greenest big city in the nation with access to economic opportunity for all. The Budget Office includes the City's central Grants Office, which is responsible for the oversight of certain major federal and state funding received by the City.

FY27 Strategic Goals:

- The Budget Office will help ensure the City's long-term financial health via a FY27-31 FYP that is balanced over five years and oversee the implementation of the FY27 Operating and Capital budgets once they are adopted by City Council and signed into law by the Mayor.
- A continuing primary goal of the Office is to ensure that the City's limited resources are deployed strategically to continue to make targeted investments in making Philadelphia the safest, cleanest, greenest big city in America with access to economic opportunity for all.
- The Office will continue to work closely with the Law Department to navigate changes to federal policy and continue to maximize the drawdown of outside funding sources to supplement local investments where feasible.

FY27 Performance Measures:

Measure	FY25 Actual	FY26 Target	FY27 Target
Percent change in the total dollar amount of General Fund revenue (actual) compared to budget (adopted) ¹	3.9%	≥ 0 to 1.0%	≥ 0 to 1.0%
Percent change in the total dollar amount of General Fund expenditures (actual) compared to budget (adopted) ²	-0.8%	≤ -1.0 to 0%	≤ -1.0 to 0%
Ratio of reserves (excluding Labor Reserve) to actual General Fund revenue ³	20.8%	At least 6.0% to 8.0%	At least 6.0% to 8.0%
Percent of capital dollars unspent after 6 years (General Obligation only) ⁴	5.8%	< 10.0%	< 10.0%

¹The target reflects the City's goal of revenue forecasting accuracy, with actual collections meeting or modestly exceeding the adopted budget.

²The target reflects the City's goal of adequately planning for anticipated costs, with actual expenditures at or slightly below budgeted levels.

³American Rescue Plan Act (ARPA) funds, which were spent by the December 31, 2024, deadline, enabled the City to make crucial investments while preserving other revenue streams to sustain and grow the City's fund balance. Without this support, the City would have had to make devastating cuts to avoid negative fund balances.

⁴ While capital projects can take years to complete, it is important to maintain an efficient rate of spending so that Philadelphians benefit from maintained and new infrastructure. This measure compares the amount of General Obligation capital funds that remain unallocated after six years with the amount of new General Obligation capital dollars added that year. General Obligation capital dollars are those that will be borrowed and will be repaid with local taxes.

PROGRAM BASED BUDGETING:

Program Name: Risk Management

Program Number: 07

FY27 Proposed General Fund: \$7,464,161

Program Description: Risk Management (Risk) works to reduce the financial impact on the City from claims, lawsuits, and employee injuries; reduces the frequency and severity of these events through the application of professional risk management techniques; protects City finances through effective risk transfer and fund recovery; and provides a safe environment for employees and the public on City property.

FY27 Strategic Goals:

- Starting in FY27, Risk will add capacity for management and oversight of a new Vacatur Fund to provide early financial and social supports to individuals whose convictions have been vacated, while also avoiding the inherent risk of litigation.
- Risk will work to implement a Citywide, leadership-led approach to safety management which emphasizes the role of top management in driving efforts to improve health and safety performance, in alignment with the Mayor's goals for a safer Philadelphia.
- Risk will continue to reduce City liabilities in workers' compensation through its aggressive settlement strategy.
- Risk will fully implement the OCIP and extend its coverage to small business contractors.

FY27 Performance Measures:

Measure	FY25 Actual	FY26 Target	FY27 Target
Average number of police and firefighters on no duty	247	≤ 265	≤ 225
Number of all employee injuries ¹	2,268	≤ 2,096	≤ 2,063
Average number of days from date of initial request to completion of the Permanent & Partial Disability Determination process	54	≤ 45	≤ 35
Secondary Employment job offers ²	24	12	12

¹The FY27 target represents a 5% reduction of the 3-year average of FY24, FY25, and FY26. This target is subject to change once FY26 is complete.

²Regulation 32 created a modified duty program (Secondary Employment Placement) for active employees who are no longer able to perform their pre-injury duties because of work injury but are able to perform some other work for the City. In the Secondary Employment Placement Program (SEPP), an employee can elect to participate in the SEPP, which allows them to continue their service to the residents of Philadelphia, while maintaining their original union affiliation and pension status, and while earning the same salary as they did pre-injury. Employees that elect participation in the SEPP are referred to a vocational specialist. The vocational specialist works with the employee and City departments for job opportunities within the employee’s restrictions for up to six months. The Program is administered by the Office of Human Resources and Risk Management, and it helps alleviate employment shortages caused by attrition, retirement, and injury. The candidate pool is significantly lower than in previous years, declining from over 100 potential applicants to approximately 20 in FY26. The Department anticipates this lower pool will continue into FY27, given injuries have decreased and more employees are returning to work after injury, resulting in fewer employees eligible to participate in the secondary employment program.